

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2022 Second Round

December 28, 2022

Katella Terrace, located at 1249 E. Katella Avenue in Orange, requested and is being recommended for a reservation of \$2,500,000 in annual federal tax credits and \$8,891,768 in total state tax credits to finance the new construction of 73 units of housing serving seniors with rents affordable to households earning 30%-60% of area median income (AMI). The project will be developed by Horizon ELOM Holdings, LLC & Orange Senior Housing, Inc. and will be located in Senate District 37 and Assembly District 68.

Project Number CA-22-087

Project Name Katella Terrace
Site Address: 1249 E. Katella Avenue
Orange, CA 92867 County: Orange
Census Tract: 762.06

Tax Credit Amounts	Federal/Annual	State/Total *
Requested:	\$2,500,000	\$8,891,768
Recommended:	\$2,500,000	\$8,891,768

* The applicant made an election not to sell (Certificate) any portion of the state credits.

Applicant Information

Applicant: Katella Terrace, L.P.
Contact: Gary Frazier
Address: 555 S. Shaffer Street
Orange, CA 92866
Phone: 714-651-0590
Email: acaciagary@aol.com

General Partner(s) / Principal Owner(s): Horizon ELOM Holdings, LLC
Orange Senior Housing, Inc.
General Partner Type: Joint Venture
Parent Company(ies): Horizon Development Consulting, LLC & ELOM LLC
Orange Senior Housing, Inc.
Developer: Horizon ELOM Holdings, LLC & Orange Senior Housing, Inc
Investor/Consultant: Merchants Capital Investments, LLC
Management Agent(s): Solari Enterprises, Inc.

Project Information

Construction Type: New Construction
Total # Residential Buildings: 1
Total # of Units: 74
No. & % of Tax Credit Units: 73 100%
Federal Set-Aside Elected: 40%/60%
Federal Subsidy: HOME

Information

Set-Aside: N/A
Housing Type: Seniors
Geographic Area: Orange County
CTCAC Project Analyst: Cynthia Compton

55-Year Use / Affordability

<u>Aggregate Targeting</u>	<u>Number of Units</u>	<u>Percent of Required Affordable Units</u>
At or Below 30% AMI:	8	10%
At or Below 40% AMI:	11	15%
At or Below 50% AMI:	30	40%
At or Below 60% AMI:	24	30%

Unit Mix

17 SRO/Studio Units
<u>57 1-Bedroom Units</u>
74 Total Units

<u>Unit Type & Number</u>	<u>2022 Rents Targeted % of Area Median Income</u>	<u>Proposed Rent (including utilities)</u>
2 SRO/Studio	30%	\$711
10 SRO/Studio	40%	\$949
4 SRO/Studio	50%	\$1,186
1 SRO/Studio	60%	\$1,423
6 1 Bedroom	30%	\$762
1 1 Bedroom	40%	\$1,016
26 1 Bedroom	50%	\$1,270
23 1 Bedroom	60%	\$1,524
1 1 Bedroom	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$6,702,384
Construction Costs	\$21,683,646
Rehabilitation Costs	\$0
Construction Contingency	\$1,274,182
Relocation	\$0
Architectural/Engineering	\$770,000
Const. Interest, Perm. Financing	\$2,635,933
Legal Fees	\$170,000
Reserves	\$464,719
Other Costs	\$1,901,216
Developer Fee	\$2,200,000
Commercial Costs	\$0
Total	\$37,802,080

Residential

Construction Cost Per Square Foot:	\$353
Per Unit Cost:	\$510,839
True Cash Per Unit Cost*:	\$509,905

Construction Financing		Permanent Financing	
Source	Amount	Source	Amount
Merchants Bank of Indiana	\$23,600,000	Merchants Bank of Indiana	\$3,460,000
City of Orange - HOME	\$780,000	City of Orange - HOME	\$780,000
City of Orange	\$6,500,000	City of Orange	\$6,500,000
Deferred Developer Fee	\$1,523,485	Deferred Developer Fee	\$69,086
Tax Credit Equity	\$5,398,595	Solar Tax Credit Equity	\$18,756
		Tax Credit Equity	\$26,974,238
		TOTAL	\$37,802,080

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$29,639,228
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$29,639,228
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$2,500,000
Total State Credit:	\$8,891,768
Approved Developer Fee (in Project Cost & Eligible Basis):	\$2,200,000
Investor/Consultant:	Merchants Capital Investments, LLC
Federal Tax Credit Factor:	\$0.83000
State Tax Credit Factor:	\$0.70000

The "as if vacant" land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Tie-Breaker Information

First:	Seniors
Self-Score Final:	32.366%
CTCAC Final:	32.366%

Significant Information / Additional Conditions: None.

Resyndication and Resyndication Transfer Event: None.

Local Reviewing Agency

The Local Reviewing Agency has not yet completed a site review of this project. Any negative comments in the LRA report will cause this staff report to be revised to reflect such comments.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

CTCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of CTCAC.

The applicant must pay CTCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, CTCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within CTCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

If the applicant has requested the use of a CUAC utility allowance, CTCAC's Compliance staff will review the CUAC documentation for this project prior to placed in service. Until written approval is received from CTCAC, this project is not eligible to use a utility allowance based on the CUAC.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by CTCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by CTCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	10	10	10
General Partner Experience	7	7	7
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit, service every 30 min, 25 units/acre density	7	7	7
Within ½ mile of public library	3	3	3
Within ½ mile of a full-scale grocery/supermarket of at least 25,000 sf	5	5	5
Within ½ mile of a pharmacy	2	2	2
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdrms	3	3	3
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	109	109	109

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.